

INTERIM REPORT

08

Internet

Outdoor Media

TV & Entertainment

Publishing

Publishing

Internet

Outdoor Media

TV & Entertainment



TOM Group Limited

Incorporated in the Cayman Islands with limited liability

Stock Code:2383

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DEFINITIONS

“Associates”	has the meaning ascribed under the Listing Rules
“Beijing Lei Ting”	means Beijing Lei Ting Wan Jun Network Technology Limited
“CKH”	means Cheung Kong (Holdings) Limited
“Company” or “TOM”	means TOM Group Limited
“Director(s)”	means the director(s) of the Company
“Group” or “TOM Group”	means the Company and its subsidiaries
“HWL”	means Hutchison Whampoa Limited
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	means the main board of the Stock Exchange
“Mainland”, “Mainland China” or “PRC”	means The People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“New Option Scheme”	means the share option scheme adopted by the Company on 23 July 2004
“Old Option Scheme”	means the share option scheme adopted by the Company on 11 February 2000 (as amended) and terminated with effect from 4 August 2004
“Pre-IPO Share Option Plan”	means the Pre-IPO Share Option Plan adopted by the Company on 11 February 2000
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“TOM Online”	means TOM Online Inc.

CHAIRMAN'S STATEMENT

The Group's operating environment continued to be challenging in the first half of 2008. Volatile global credit and stock markets combined with domestic inflation risks and natural disasters to dampen consumer sentiment in the Group's core Mainland markets. Nevertheless, the Group has achieved a steady overall operating performance and has continued to innovate and invest in future growth strategies.

For the six months ended 30 June 2008, the Group's financial results saw its operating profit, before one-time/non-cash charges increased to HK\$10.28 million from HK\$9.95 million, with our total revenue steady at HK\$1.33 billion versus HK\$1.35 billion, when compared to the same period in 2007. The Group has recognised impairment charges (which do not result in any cash outlay in the current or future periods) totaling HK\$472.03 million in relation to certain intangible assets resulting from certain business related to first generation mobile products and services. After taking into account of these non-cash charges, loss attributable to shareholders reported for the period increased to HK\$547 million or HK14.06 cents per share.

For the wireless business, we have launched new services such as e-book in close cooperation with China Mobile and have seen good growth in users and revenues. The Group has a number of promising new wireless products under development that target new growth areas in the market that are anticipated to develop following the Mainland's recently announced telecommunication restructuring. For the internet business, we have re-launched our portal site as a tool and user-centric open platform and this has resulted in a 300% increase in traffic together with a significant reduction in operating costs. Going forward, we will integrate wireless and internet services to provide a seamless user experience to allow users to access our portal and other popular internet applications quickly and directly from their mobile phones. For the TV and entertainment business, we have formed a joint venture with Joost, a leading global high definition internet TV provider, and we will closely integrate the internet and wireless resources in our TV programming and syndication to create fresh content and advertising solutions, and to expand audience coverage. For the outdoor business, we have restructured our asset base to focus on good quality assets and will focus our investment in premium and exclusive assets to build leadership in our markets. As for the publishing business, we will leverage on the Group's resources in internet and wireless to expand into the arena of digital publishing for the Chinese language market. We will also continue to closely control operating costs and to build on our successful bestselling book launches in the first half.

The Group's new management leadership has begun to execute a comprehensive realignment and development plan for our businesses.

The Board fully supports the new management leadership of the Group in its endeavours to steer and position the Group towards new growth opportunities by fully developing and utilising our existing unique platform of media assets. The new management leadership target to achieve improved operating and financial performance for the second half and going forward. Last, but not least, I would like to take this opportunity to thank all of the Group's management and staff for their continuing hard work and dedication to the Group.

Frank Sixt
Chairman

Hong Kong, 18 August 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

	For the six months ended	
	30 June 2008	30 June 2007
	HK\$'000	HK\$'000
Revenues	1,331,967	1,347,010
Operating profit before one-off/non-cash items*	10,276	9,953
Operating loss after one-off/non-cash items	(515,795)	(62,508)
Loss attributable to shareholders	(547,241)	(84,952)
Loss per share (HK cents)	(14.06)	(2.14)

* before provision for intangible assets of HK\$472 million (2007: HK\$53 million) and exchange loss on bonds of HK\$54 million (2007: HK\$19 million)

The operating profit of the Group, before one-off/non-cash items mentioned below, was HK\$10 million for the six months ended 30 June 2008, an increase of 3% as compared with the same period last year. Taking into account non-cash items of a one-off write-off of impairment of intangible assets of HK\$472 million resulting from certain businesses related to first generation mobile product and services and exchange loss on USD bonds of HK\$54 million, loss attributable to shareholders was HK\$547 million compared to HK\$85 million in last year. The loss per share for the six months was HK14.06 cents.

Financial Performance

In the first half of 2008, the overall economy was overshadowed by uncertainties. Amid the successive outbreak of natural disasters and regulatory measures on selective industries, corporations in the Mainland were inevitably facing a challenging operation environment. Nevertheless, TOM Group has been able to uphold its overall operating performance with focused efforts to optimise operational platforms and efficiency across various business groups and continue to innovate and invest in strategic priorities and position for growth.

For the six months ended 30 June 2008, the Group's operating profit (before one-off/non-cashflow charges) compared to the same period last year, increased by 3.3%, to about HK\$10.28 million from about HK\$9.95 million, whilst maintaining a stable revenue of about HK\$1,332 million compared to HK\$1,347 million over the same period last year, representing a stable but slight decrease of 1.1%.

Business and Operations Review

INTERNET GROUP – Optimise platform infrastructure and drive innovations

The Internet Group reported revenues of HK\$502 million for the first half of 2008, a drop of 11.1% compared to last year's HK\$565 million as a result of ceasing of some of the lower margin wireless services. Increased operation efficiency as a result of business optimisation drove segment profit up by 106.3% from last year's HK\$10 million to HK\$21 million. Excluding the impact from the privatisation costs recognised in first half 2007 and the increased net exchange losses recognised during the current year, the segment profit still grew from HK\$33 million in first half 2007 to HK\$51 million in the current period, representing a growth of 55%.

Faced with various market challenges, the Internet Group continued to optimise the operation of the wireless and internet business during the past six months while at the same time driving innovations and providing users with an enhanced online and wireless experience with a more comprehensive range of premium content and quality applications.

For the wireless business, we have launched a series of CRM initiatives on our wireless user base and this has resulted in a 100% increase in marketing hit rates and increased product margin. We have also launched new services such as e-book, Huan Jian Shu Meng (“幻劍書盟”), in close cooperation with China Mobile and has seen good growth in both users and revenues. The restructuring of the telecommunication industry in Mainland China is expected to bring new growth and development to the market. Leveraging on the established platform operations and the substantial user base, the Group will continue to collaborate with operators in the development of more new products and services so as to capture the new opportunities.

For the internet business, TOM has re-launched its portal site in early 2008 as a tool and user-centric widgetised open platform. Following the portal re-launch, traffic has increased by over 300% while certain operating costs have been reduced by over 50%. In order to bring the latest technologies and applications onto our open platform and to our users, the Group is lining up a whole range of new tools and application through cooperating with various international and local partners. A joint venture formed in July 2008 together with Joost for the launch of the China Joost platform, a superior quality peer-to-peer web-based TV and video application, marked a significant milestone along this direction.

Going forward, in preparation for the arrival of 3G and “mobile internet” age in the Mainland, we will integrate our wireless and internet services to provide a seamless user experience to allow users to access our portal and internet services quickly and directly from their mobile phones.

For TOM-Skype business, at the end of June 2008, revenue has increased ten folds over the same period last year. TOM-Skype registered users have increased to 69 million, up from 63 million early this year. Value added services will continue to be launched in the near future to leverage on the large user base.

The share of losses of TOM Eachnet was reduced by 18.9% to HK\$44 million in the first half of 2008. This was mainly attributable to the continuous optimisation on operations and effective cost control. The business operation of Eachnet has been growing in a satisfactory pace following the re-launch of our localised platform. During the period, Eachnet has introduced several new and innovative services including the optimised search, overseas buying, seller incubation program and loyalty points. The launch of these services in second quarter has resulted in an average monthly growth of at least 20% for various operating key performance indicators. Going forward, Eachnet will boost its traffic and transaction by continuing to incorporate the latest tools and technologies into its service offerings and expand its distribution channels by leveraging on TOM's various internet and wireless platform infrastructure.

PUBLISHING GROUP – Enhance operation efficiency and explore digital opportunities

The Publishing Group reported revenues of HK\$524 million for the first six months of 2008, a growth of 8.7% over last year's HK\$482 million. Segment operating profit of the publishing group increased by 10.3% to HK\$64 million from HK\$58 million over the same period. However, if comparing last year's segment profit over the same period of HK\$72 million which included one-off gains (such as the gain on disposal of Mingpao shares and write back of certain over-provisions from past years) totaling HK\$14 million recognised during the first half 2007, with this year's segment profit of HK\$57 million including certain one-off losses of HK\$7 million recognised in the first half 2008, Publishing Group's segment profit this year fell by 20.9% with these one-off gains and losses included.

The publication market in Taiwan remains difficult and competitive. In particular, the paper cost has risen by over 17.4%, during the six months ended 30 June 2008 compared with the same period in 2007. Nonetheless, the overall performance of Taiwan publishing in the first half was satisfactory given such challenging market condition. Profitability of book publishing continues to improve as a result of the concerted effort by the management to improve the title selection process and quality control. During the first half 2008, the number of new book titles published by Cite increased by 18.3% as compared with the same period in 2007 while total revenue grew by 25.9% to HK\$151 million. The magazine business continued to perform well in the first half of the year, with the number of fixed subscribers increased by about 14.8% and the circulation volume of *Business Weekly* magazine increased by 18.5% over the same period last year. Advertising revenues of the magazines maintained steady growth at about 13.1% in the first half of the year as compared with the same period in last year.

The drive to improve title selection process and better quality has won Cite numerous best sellers in Taiwan. *Dr. Tom Wu's Principles of Natural Cure* accomplished volume sales of over 500,000 copies while *Be Pride* and *Be Pride 2 – CEO Secret Teachings of Leadership* achieved accumulated sales of more than 170,000 copies. Two illustrated books – *Elephant Boy and Robot Girl* and *The Three Little Friends 2* published by Cite were named among the top 10 best books in the Recommended Books of the “Dr. Book Chart 2007/08” held by the Hong Kong Leisure and Cultural Services Department, while *An Inconvenient Truth* was also awarded the inaugural “Hong Kong Book Prize”. For cartoons, *Shima Kosaku* by Japanese author Kenshi Hirokan exceeded 800,000 printed copies and *The Drop of God* also hit over 400,000 copies in print. Moreover, *Business Weekly*, the flagship magazine published by the group in Taiwan won the SOPA Awards for “Excellence in Reporting Breaking News”, “Excellence in Feature Writing” and “Excellence in Magazine Design” in 2008.

Pixnet (www.pixnet.net), a leading social networking website in Taiwan has performed well since its acquisition in February 2007. The ranking of Pixnet in terms of traffic in Taiwan has gone up from 59th in 2007 to 14th by the end of June this year since its acquisition by the Group. Page views of the website exceeded 230 million per month while over 60% of blog and photo album visitors re-visited the site within 24 hours, demonstrating high user loyalty. To further improve service quality, Pixnet has upgraded its facility in May to enable users enjoy even speedier access with reduced bandwidth requirement and maintenance costs. Leveraging on the strong technological support and resources from TOM Group, Pixnet will develop more new services to create additional synergies within the publishing group.

The website, www.cite.com.tw operated by the publishing group for online book sales posted revenue growth of over 80% from January to June this year, reflecting the increasing popularity of buying online.

Going forward, as readers turn more and more to internet for information, the Publishing Group will leverage on TOM Group's resources in internet and wireless to expand further into the arena of digital publishing for the Chinese language market while at the same time continue to develop online channels for publication sales.

OUTDOOR MEDIA GROUP – Invest in premium assets to build market leadership

Revenues of the Outdoor Media Group (“OMG”) were HK\$224 million for the first six months of 2008, a growth of 5.1% compared to the same period last year's HK\$213 million. Segment loss amounted to HK\$9 million, versus last year's profit of HK\$14 million.

The government authorities in many of the second to third tier cities in China commenced certain city planning restructuring exercises. Furthermore, most of the new media assets are subject to formal auction bidding process, which has increased the overall costs of acquiring outdoor media assets significantly. In addition, the earthquake in Sichuan province during the first half this year has also affected the sales performance in certain cities where OMG operates.

During the reporting period, OMG continued to optimise its media assets portfolio by acquiring premium and higher margin categories in leading second tier cities. In July, OMG has entered into airport media by winning an auction bid for over 140 units of media assets including billboards, unipoles and light boxes in Fuzhou Airport with a total media asset space of over 3,500 square metres.

In the period, billboard and unipole made up 67% of the total media assets of OMG compared with 77% last year, while street furniture and transportation advertising asset made up 26% against last year's 22%, reflecting a more optimised and balanced media portfolio. The average selling price of self-built/leased assets has also rose by 25%.

Going forward, OMG remains focused on sourcing and developing high quality and technology based media products that can further enhance the profit margin of the group as well as to build market leadership while at the same time strengthen its sales network and services committing to offer quality advertising solutions for the customers. OMG will also work closely and strengthen its working relationship with local government authorities in their respective urban planning and city beautification exercise.

TELEVISION AND ENTERTAINMENT GROUP – Creative programming, new distribution channels

Revenues of the Television and Entertainment Group were HK\$82 million, a slight drop of 5.9% as compared to last year's HK\$87 million. Segment loss for the Television and Entertainment Group was HK\$32 million, versus last year's HK\$14 million.

Since late 2007, the landing of signals of CETV in Shenzhen has certain setbacks by which the coverage of CETV in the region was affected. Together with the impact brought on by the natural disasters in China, many advertisers' marketing plans were postponed. Thus, the group's performance in the first six months of 2008 was behind that in the same period last year.

Nevertheless, the group continues to optimise the internal operation infrastructure on one hand, while at the same time, continues to improve the effective coverage. Since mid June, the coverage of CETV in the Southern China region has gradually recovered and it is expected that by the end of this year, this will further improve.

In addition, the group complemented the audience coverage of traditional TV broadcasting of CETV with our latest JV cooperation with Joost, a leading global high definition internet TV. As more and more young people spend significant amount of their time online and online video viewing has taken up a large and ever increasing share of internet traffic, Joost will expand our audience coverage. Through the utilisation of the existing huge user database of TOM Online, the number of Joost viewers in China is expected to multiply quickly. Thus, it will generate more coverage for our TV business, lifting the ratings and expanding the revenue streams. Furthermore, we have also stepped beyond Asia by cooperating with Kylin TV, the first IPTV service provider of Chinese programs in North America, to tap the Chinese online TV market in America and Canada.

The TV & Entertainment Group will continue to strengthen the quality of its programmes and content. On one hand, it will keep on sourcing various premier content from overseas market by cooperating with various overseas partners. On the other hand, tailoring to the latest trend of the audience habit and taste in China, it will increase the local production of unique and creative programmes integrating online and wireless elements to create fresh content and innovative advertising solutions by leveraging on TOM resources in online and wireless. These programmes will not only meet the enormous market demand of youth in China, but will also be able to generate additional revenue streams from syndications and new media incomes.

YC continues to play a significant role in cross-selling relevant products and services of all of TOM's business groups. Riding on the success of the pioneering "Nokia Experience Van" project since last year, YC has been successful in expanding the event model to other global customers like Pepsi, during the current year.

Business Outlook

Over the years, TOM Group has been successful in building up its valuable business and assets of different media and has created a unique media platform. Despite all the market challenges and the regulatory and administrative restrictions it faces in the industries it operates, TOM Group has held up its overall operating performance and continued to innovate and invest in strategic priorities and position for growth. The Group, in the first half of 2008, under the new management, has been optimising the platform infrastructure, driving operation efficiency, integrating business synergies, and developing new products and services to position the Group for the fast emerging world of media convergence.

The new management of the Group endeavours to steer and position the Company towards the path of new growth from its unique platform of assets and investments and expects that such efforts will reap rewards for the Group.

Liquidity and Financial Resources

As at 30 June 2008, TOM Group had bank and cash balance, including pledged deposits, of approximately HK\$1,185 million and listed debt securities of approximately HK\$941 million. A total of HK\$3,477 million financing facilities from banks were available, of which HK\$2,697 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 30 June 2008.

Total borrowings of TOM Group amounted to approximately HK\$2,902 million as at 30 June 2008. This included liability portion of convertible bonds of approximately HK\$205 million, long-term bank and other loans of approximately HK\$552 million and short-term bank and other loans of approximately HK\$2,145 million. The gearing ratio (Debts/Debts + Equity) of TOM Group was 47% as at 30 June 2008, as compared to 53% as at 31 December 2007.

As at 30 June 2008, the Group had net current liabilities of approximately HK\$206 million, as compared with HK\$233 million as at 31 December 2007. As at 30 June 2008, the Group has available unutilised credit facility of approximately HK\$482 million granted by a financial institution with a maturity date in November 2009. The Group can utilise this available facility for settlement of its current liabilities, including the convertible bonds maturity in November 2008, as and when required.

As at 30 June 2008, the current ratio of TOM Group was 0.94 compared to 0.95 as at 31 December 2007.

For the six months of 2008, the Group generated net cash before interest and taxation of HK\$34 million from its operating activities, as compared to approximately HK\$127 million in the same period of 2007.

Charges on Group Assets

As at 30 June 2008, the Group had listed debt securities with a market value of approximately HK\$941 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK\$856 million. In addition, bank deposits, cash and other assets at total net book value of approximately HK\$3 million were pledged to banks for securing banking and other facilities granted to certain subsidiaries and an associate company of the Group.

Foreign Exchange Exposure

In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimise currency risk.

Contingent Liabilities

As at 30 June 2008, TOM Group had no material contingent liabilities.

Employee Information

As at 30 June 2008, TOM Group had 3,305 full-time employees. During the first six months of the year, employee and stock option costs, including Directors' emoluments, totaled at HK\$309 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2007.

Disclaimer:

Non-GAAP measures

While non-GAAP (generally accepted accounting principles) measures such as operating profit before one-off items are often considered by companies when assessing the operating performance, they are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

INDEPENDENT REVIEW REPORT



羅兵咸永道會計師事務所

PricewaterhouseCoopers
33rd Floor Cheung Kong Center
2 Queen's Road Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF TOM GROUP LIMITED**

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 12 to 36, which comprises the condensed consolidated balance sheet of TOM Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2008 and the related condensed consolidated profit and loss account, condensed consolidated statements of recognised income and expense and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2008

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2008

	Note	Unaudited	
		Six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
			(As restated)
Continuing operations			
Turnover	3	<u>1,331,967</u>	<u>1,347,010</u>
Cost of sales		(882,671)	(877,495)
Selling and marketing expenses		(140,823)	(160,728)
Administrative expenses		(100,539)	(118,177)
Other operating expenses		(213,900)	(154,240)
Provision for impairment of intangible assets	4	(472,029)	(53,283)
Share of losses of jointly controlled entities		(43,824)	(54,030)
Share of profits of associated companies		6,024	8,435
Operating loss	5	<u>(515,795)</u>	<u>(62,508)</u>
Finance costs, net	6	<u>(40,247)</u>	<u>(18,588)</u>
Loss before taxation		(556,042)	(81,096)
Taxation	7	<u>(28,883)</u>	<u>(24,412)</u>
Loss for the period from continuing operations		<u>(584,925)</u>	<u>(105,508)</u>
Discontinued operation			
Loss for the period from discontinued operation	8	<u>–</u>	<u>(1,780)</u>
Loss for the period		<u>(584,925)</u>	<u>(107,288)</u>
Attributable to:			
Minority interests		<u>(37,684)</u>	<u>(22,336)</u>
Equity holders of the Company		<u>(547,241)</u>	<u>(84,952)</u>
Loss per share for loss attributable to the equity holders of the Company during the period	10		
From continuing operations – basic		<u>HK(14.06) cents</u>	<u>HK(2.14) cents</u>
From discontinued operation – basic		<u>–</u>	<u>HK(0.05) cents</u>

Condensed Consolidated Balance Sheet

As at 30 June 2008

		Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	11	231,612	250,887
Goodwill	12	3,345,176	3,663,060
Other intangible assets	13	43,004	60,210
Interests in jointly controlled entities		(139,096)	(86,856)
Interests in associated companies		225,066	233,139
Available-for-sale financial assets		111,606	422,150
Loans and receivables		2,165	2,145
Deferred tax assets		53,086	54,099
Other non-current assets		15,033	15,804
		<u>3,887,652</u>	<u>4,614,638</u>
Current assets			
Available-for-sale financial assets		861,754	1,169,266
Inventories		132,827	126,924
Trade and other receivables	14	1,145,829	1,009,038
Restricted cash	15	2,716	20,176
Bank balances and cash		1,182,477	1,828,396
		<u>3,325,603</u>	<u>4,153,800</u>
Current liabilities			
Trade and other payables	16	1,127,863	1,147,564
Taxation payable		53,324	56,484
Long-term bank loans – current portion	18	681,366	466,260
Short-term bank and other loans	18	1,463,907	2,515,998
Convertible bonds	18	204,876	200,138
		<u>3,531,336</u>	<u>4,386,444</u>
Net current liabilities		<u>(205,733)</u>	<u>(232,644)</u>
Total assets less current liabilities		<u>3,681,919</u>	<u>4,381,994</u>

		Unaudited	Audited
		30 June	31 December
		2008	2007
	<i>Note</i>	HK\$'000	HK\$'000
<hr/>			
Non-current liabilities			
Deferred tax liabilities		18,013	14,632
Other non-current liabilities	17	585,193	868,976
		<hr/>	<hr/>
		603,206	883,608
		<hr/>	<hr/>
Net assets		3,078,713	3,498,386
		<hr/>	<hr/>
EQUITY			
Share capital	19	389,328	389,328
Reserves	21	2,059,165	2,427,522
Own shares held		(6,244)	(6,244)
		<hr/>	<hr/>
Shareholders' funds		2,442,249	2,810,606
Minority interests	22	636,464	687,780
		<hr/>	<hr/>
Total equity		3,078,713	3,498,386
		<hr/>	<hr/>

Condensed Consolidated Statement of Recognised Income and Expense

For the six months ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
		(As restated)
Revaluation surplus on available-for-sale financial assets	6,486	9,844
Exchange translation differences	216,165	118,835
Net income recognised directly in equity	222,651	128,679
Loss for the period	(584,925)	(107,288)
Total recognised income and expense for the period	<u>(362,274)</u>	<u>21,391</u>
Attributable to:		
Minority interests	<u>6,166</u>	<u>23,087</u>
Equity holders of the Company	<u>(368,440)</u>	<u>(1,696)</u>
Cumulative effect of the alignment of accounting policy (Note 21(a)) for each component of the equity as at 1 January:		
Attributable to minority interests		
– Increase in exchange reserve	28,104	16,257
– Increase in accumulated losses	(28,104)	(16,257)
	<u>–</u>	<u>–</u>
Attributable to equity holders of the Company		
– Increase in exchange reserve	64,920	31,186
– Increase in accumulated losses	(64,920)	(31,186)
	<u>–</u>	<u>–</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operations	34,178	126,520
Interest paid	(87,426)	(92,230)
Overseas taxation paid	(32,956)	(25,593)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(86,204)	8,697
Net cash from investing activities	647,175	266,780
Net cash used in financing activities	(1,206,890)	(243,559)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(645,919)	31,918
Cash and cash equivalents at the beginning of the period	1,828,396	1,618,778
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>1,182,477</u>	<u>1,650,696</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the half-year ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

As at 30 June 2008, the Group had net current liabilities of approximately HK\$206 million (31 December 2007: HK\$233 million). In response to the current financial condition, the Group has been exploring various means of obtaining additional financing. Nevertheless, as at 30 June 2008, the Group had available unutilised credit facility of approximately HK\$482 million granted by a financial institution with a maturity date in November 2009. The Group can utilise this available facility for settlement of its current liabilities, including the convertible bonds maturing in November 2008, as and when required. Basing on this and taking into account the expected cash inflow from operations of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future and the Group will be able to continue as a going concern. Consequently, the accounts have been prepared on a going concern basis.

The accounting policies and methods of computation used in preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007, except for the alignment of accounting policies in respect of available-for-sale debt securities as disclosed in note 21(a) and the adoption of new standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2008. The effect of the adoption of these new standards, amendments and interpretations was not material to the Group's results of operations or financial position.

2 New standards not yet effective

The Group has not early adopted the following new standards, amendments to standards or interpretations that have been issued but are not yet effective for the financial year ending 31 December 2008:

HKAS 1 (Amendment)	"Presentation of financial statements"
HKAS 23 (Amendment)	"Borrowing costs"
HKAS 27 (Revised)	"Consolidated and separate financial statements"
HKAS 32 (Amendment)	"Financial instruments: presentation"
HKFRS 2 (Amendment)	"Share-based payment"
HKFRS 3 (Amendment)	"Business combinations"
HKFRS 8	"Operating segments"
HK(IFRIC)-Int 13	"Customer loyalty programmes"

The Group has commenced an assessment of the impacts of these new standards, amendments to standards or interpretations and they are not expected to have a significant impact on the Group's results and financial position, except the effect that the adoption of HKFRS 3 (Amendment) and HKAS 27 (Revised) may have on the results of operation and financial position of the Group will depend on the incidence and timing of any business combinations occurring in or after 2010.

3 Segment reporting

Primary reporting format – business segments

The Group is organised into the following business segments:

Continuing operations

- Internet Group – provision of wireless internet services, online advertising, commercial enterprise solutions, and internet access.
- Publishing Group – magazine and book circulation, sales of publication advertising and other related products.
- Outdoor Media Group – advertising sales of outdoor media assets and provision of outdoor media services.
- Television and Entertainment Group – advertising sales, provision of broadcasting post production services, event organisation and sponsorship sales.

Discontinued operation

- Sports Group – event organisation, advertising and sponsorship sales in relation to sports events and programmes.

Since 1 January 2007, Sports Group has ceased to participate in or organise any sports events. Further details of the discontinuation of the Sports Group segment are set out in note 8 to the condensed consolidated interim financial statements.

The segment results for the six months ended 30 June 2008 are as follows:

	Unaudited Six months ended 30 June 2008				Discontinued Operation		
	Continuing Operations				Sub-total HK\$'000	Sports Group HK\$'000	Total HK\$'000
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000			
Total gross segment turnover	502,074	524,086	223,984	82,628	1,332,772	-	1,332,772
Inter-segment turnover	-	-	-	(805)	(805)	-	(805)
Turnover	<u>502,074</u>	<u>524,086</u>	<u>223,984</u>	<u>81,823</u>	<u>1,331,967</u>	<u>-</u>	<u>1,331,967</u>
Segment profit/(loss) before amortisation and depreciation	54,998	66,784	9,928	(19,271)	112,439	-	112,439
Amortisation and depreciation	(33,786)	(9,839)	(18,585)	(13,011)	(75,221)	-	(75,221)
Segment profit/(loss)	<u>21,212</u>	<u>56,945</u>	<u>(8,657)</u>	<u>(32,282)</u>	<u>37,218</u>	<u>-</u>	<u>37,218</u>
Provision for impairment of intangible assets	(472,029)	-	-	-	(472,029)	-	(472,029)
Share of losses of jointly controlled entities	(43,824)	-	-	-	(43,824)	-	(43,824)
Share of profits of associated companies	366	5,658	-	-	6,024	-	6,024
Unallocated costs					(43,184)	-	(43,184)
Operating loss					(515,795)	-	(515,795)
Finance costs, net					(40,247)	-	(40,247)
Loss before taxation					(556,042)	-	(556,042)
Taxation					(28,883)	-	(28,883)
Loss for the period					<u>(584,925)</u>	<u>-</u>	<u>(584,925)</u>
Attributable to:							
Minority interests					(37,684)	-	(37,684)
Equity holders of the Company					<u>(547,241)</u>	<u>-</u>	<u>(547,241)</u>
Segment capital expenditure	6,059	6,074	7,958	10,508	30,599	-	30,599
Unallocated capital expenditure							1,564
Total capital expenditure							<u>32,163</u>

The segment results for the six months ended 30 June 2007 are as follows:

	Unaudited Six months ended 30 June 2007 (As restated)				Discontinued Operation		
	Continuing Operations				Sub-total HK\$'000	Sports Group HK\$'000	Total HK\$'000
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000			
Total gross segment turnover	564,859	482,298	212,987	87,942	1,348,086	-	1,348,086
Inter-segment turnover	-	(116)	-	(960)	(1,076)	-	(1,076)
Turnover	<u>564,859</u>	<u>482,182</u>	<u>212,987</u>	<u>86,982</u>	<u>1,347,010</u>	<u>-</u>	<u>1,347,010</u>
Segment profit/(loss) before amortisation and depreciation	52,377	80,857	31,463	1,090	165,787	(1,808)	163,979
Amortisation and depreciation	(42,093)	(8,854)	(17,162)	(14,978)	(83,087)	(48)	(83,135)
Segment profit/(loss)	<u>10,284</u>	<u>72,003</u>	<u>14,301</u>	<u>(13,888)</u>	<u>82,700</u>	<u>(1,856)</u>	<u>80,844</u>
Provision for impairment of intangible assets	(53,283)	-	-	-	(53,283)	-	(53,283)
Share of losses of jointly controlled entities	(54,030)	-	-	-	(54,030)	-	(54,030)
Share of profits of associated companies	229	8,206	-	-	8,435	-	8,435
Unallocated costs					(46,330)	-	(46,330)
Operating loss					(62,508)	(1,856)	(64,364)
Finance costs, net					(18,588)	76	(18,512)
Loss before taxation					(81,096)	(1,780)	(82,876)
Taxation					(24,412)	-	(24,412)
Loss for the period					<u>(105,508)</u>	<u>(1,780)</u>	<u>(107,288)</u>
Attributable to: Minority interests					(22,336)	-	(22,336)
Equity holders of the Company					<u>(83,172)</u>	<u>(1,780)</u>	<u>(84,952)</u>
Segment capital expenditure	10,978	3,878	12,292	18,693	45,841	-	45,841
Unallocated capital expenditure							467
Total capital expenditure							<u>46,308</u>

The segment assets and liabilities at 30 June 2008 are as follows:

	Unaudited As at 30 June 2008				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Segment assets	4,366,397	1,232,225	1,066,555	186,301	6,851,478
Interests in jointly controlled entities	(139,096)	-	-	-	(139,096)
Interests in associated companies	2,934	222,132	-	-	225,066
Unallocated assets					275,807
Total assets					<u>7,213,255</u>
Segment liabilities	453,558	353,255	176,383	66,479	1,049,675
Unallocated liabilities					3,084,867
Total liabilities					<u>4,134,542</u>

The segment assets and liabilities at 31 December 2007 are as follows:

	Audited As at 31 December 2007				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Segment assets	5,129,227	1,214,912	1,034,760	214,071	7,592,970
Interests in jointly controlled entities	(86,856)	-	-	-	(86,856)
Interests in associated companies	2,479	230,660	-	-	233,139
Unallocated assets					1,029,185
Total assets					<u>8,768,438</u>
Segment liabilities	428,932	367,061	160,105	69,912	1,026,010
Unallocated liabilities					4,244,042
Total liabilities					<u>5,270,052</u>

Secondary reporting format – geographical segments

The Group's business segments are operated in three main geographical areas:

Hong Kong – Internet Group, Publishing Group and Television and Entertainment Group

Mainland China – Internet Group, Publishing Group, Outdoor Media Group, Sports Group (discontinued operation) and Television and Entertainment Group

Taiwan and other Asian countries – Publishing Group

There are no significant sales between the geographical segments.

	Unaudited Turnover					
	Six months ended 30 June 2008			Six months ended 30 June 2007		
	Continuing Operations HK\$'000	Discontinued Operation HK\$'000	Consolidated Total HK\$'000	Continuing Operations HK\$'000	Discontinued Operation HK\$'000	Consolidated Total HK\$'000
Hong Kong	8,661	-	8,661	7,704	-	7,704
Mainland China	809,936	-	809,936	866,819	-	866,819
Taiwan and other Asian countries	513,370	-	513,370	472,487	-	472,487
	<u>1,331,967</u>	<u>-</u>	<u>1,331,967</u>	<u>1,347,010</u>	<u>-</u>	<u>1,347,010</u>

	Unaudited Operating loss					
	Six months ended 30 June 2008			Six months ended 30 June 2007 (As restated)		
	Continuing Operations HK\$'000	Discontinued Operation HK\$'000	Consolidated Total HK\$'000	Continuing Operations HK\$'000	Discontinued Operation HK\$'000	Consolidated Total HK\$'000
Hong Kong	(2,666)	-	(2,666)	(5,547)	-	(5,547)
Mainland China	34,905	-	34,905	84,133	(1,808)	82,325
Taiwan and other Asian countries	80,200	-	80,200	87,201	-	87,201
	<u>112,439</u>	<u>-</u>	<u>112,439</u>	<u>165,787</u>	<u>(1,808)</u>	<u>163,979</u>
Amortisation and depreciation	(75,221)	-	(75,221)	(83,087)	(48)	(83,135)
Provision for impairment of intangible assets	(472,029)	-	(472,029)	(53,283)	-	(53,283)
Share of losses of jointly controlled entities	(43,824)	-	(43,824)	(54,030)	-	(54,030)
Share of profits of associated companies	6,024	-	6,024	8,435	-	8,435
Unallocated costs	(43,184)	-	(43,184)	(46,330)	-	(46,330)
Operating loss	<u>(515,795)</u>	<u>-</u>	<u>(515,795)</u>	<u>(62,508)</u>	<u>(1,856)</u>	<u>(64,364)</u>

4 Provision for impairment of intangible assets

The amount of HK\$472,029,000 in current period represented provision for impairment of certain intangible assets resulting from certain business related to first generation mobile products and services. This mainly included a provision for goodwill on investment in Beijing Bo Xun Rong Tong Information Technology Company Limited ("Beijing Infomax"), which was made with reference to the estimated value of the business.

The amount recorded in the six months ended 30 June 2007 represented a provision of HK\$53,283,000 for the wireless business of the Group, which was made with reference to the estimated value due to the impacts of certain regulations and policies of China Mobile Communications Corporation in PRC.

5 Operating loss

Operating loss is stated after charging/crediting the following:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
		(As restated)
Charging:		
Continuing operations		
Depreciation of fixed assets (Note 11)	53,396	60,012
Amortisation of other intangible assets (Note 13)	22,608	24,317
Amortisation of other non-current assets included in interests in associated companies	2,448	2,448
Exchange loss, net	<u>32,096</u>	<u>6,899</u>
Discontinued operation		
Depreciation of fixed assets (Note 11)	<u>-</u>	<u>48</u>
Crediting:		
Continuing operations		
Gain on disposal of available-for-sale financial assets (Note)	-	5,193
Dividend income from available-for-sale financial assets	<u>1,727</u>	<u>-</u>

Note: The amount in the six months ended 30 June 2007 represented a gain on disposal of 12,000,000 ordinary shares of Ming Pao Enterprise Corporation Limited.

6 Finance costs, net

All finance costs, net were incurred in continuing operations and are shown as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	66,060	63,489
Interest and borrowing costs on convertible bonds	5,240	5,001
Interest on other loans, wholly repayable within five years	<u>1,142</u>	<u>302</u>
	72,442	68,792
Less: Interest income	<u>(32,195)</u>	<u>(50,204)</u>
	<u>40,247</u>	<u>18,588</u>

The interest income of the Group has been reclassified and shown together with finance costs on a net basis in the condensed consolidated profit and loss account for the six months ended 30 June 2008. As a result, corresponding comparative figures have been reclassified to conform to this presentation. This reclassification has no impact on the results for the prior period and current period, or total equity.

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less available tax losses.

The amount of taxation charged in the consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Continuing operations		
Overseas taxation	21,748	25,660
Over-provision in prior years	–	(2,139)
Deferred taxation	7,135	891
	<u>28,883</u>	<u>24,412</u>

8 Discontinued operation

Since 1 January 2007, the Group ceased to participate in any sports related events. During the year 2007, the Group disposed of its 49% equity interest in Beijing China Open Promotion Company Limited (“COL”) and 100% equity interests in Champion Will International Limited (“Champion Will”) and Swidon Enterprises Limited (“Swidon”) for a total consideration of US\$15.5 million (approximately HK\$121 million). COL was mainly engaged in the organisation of the China Open tennis tournament event in Beijing, while Champion Will and Swidon were the holders of the ATP and WTA licences respectively.

(a) Loss for the period from discontinued operation is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Turnover	–	–
Operating expenses	–	(1,856)
Operating loss	–	(1,856)
Finance income	–	76
Taxation	–	–
Loss for the period	<u>–</u>	<u>(1,780)</u>
Attributable to:		
Minority interest	<u>–</u>	<u>–</u>
Equity holders of the Company	<u>–</u>	<u>(1,780)</u>

(b) Net cash flows of discontinued operation are summarised as below:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash inflows from operating activities	–	6,451
Net cash inflows from investing activities	–	54
Net increase in bank balances and cash	–	6,505
Bank balances and cash at the beginning of the period	–	5,460
Bank balances and cash at the end of the period	–	11,965

9 Dividend

No dividend has been paid or declared by the Company for the periods ended 30 June 2008 and 2007.

10 Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding own shares held.

	Unaudited	
	Six months ended 30 June	
	2008	2007
		(As restated)
Loss from continuing operations		
Loss attributable to equity holders of the Company (HK\$'000)	(547,241)	(83,172)
Weighted average number of ordinary shares in issue	3,893,270,558	3,893,270,558
Loss from discontinued operation		
Net loss attributable to equity holders of the Company (HK\$'000)	–	(1,780)
Continuing operations		
Basic loss per share (HK cents per share)	(14.06)	(2.14)
Discontinued operation		
Basic loss per share (HK cents per share)	–	(0.05)

11 Fixed assets

	<i>HK\$'000</i>
At 1 January 2007	302,314
Additions	28,091
Acquisition of a subsidiary (<i>Note 25(b)</i>)	395
Disposals	(2,763)
Depreciation charge	(60,060)
Exchange adjustments	7,142
	<hr/>
At 30 June 2007 (unaudited)	275,119
Additions	32,881
Acquisition of subsidiaries	3
Disposals	(5,457)
Depreciation charge	(57,316)
Exchange adjustments	5,657
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At 31 December 2007	250,887
Additions	22,070
Disposals	(2,776)
Disposal of a subsidiary (<i>Note 25(c)</i>)	(1,723)
Depreciation charge	(53,396)
Exchange adjustments	16,550
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At 30 June 2008 (unaudited)	<u>231,612</u>

12 Goodwill

	<i>HK\$'000</i>
At 1 January 2007	2,719,455
Additions arising from acquisitions in current and prior years	3,065
Provision for goodwill impairment	(53,283)
Transferred to assets held for sale	(85,117)
Exchange adjustment	53,465
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At 30 June 2007 (unaudited)	2,637,585
Additions arising from acquisitions in current and prior years	1,082,074
Provision for goodwill impairment	(110,414)
Transferred from assets held for sale	85,117
Disposal of subsidiaries	(85,117)
Exchange adjustment	53,815
	<hr/>
At 31 December 2007	3,663,060
Additions arising from acquisitions in current period (<i>Note 25(a)</i>)	2,825
Provision for goodwill impairment (<i>Note 4</i>)	(464,479)
Exchange adjustment	143,770
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At 30 June 2008 (unaudited)	<u>3,345,176</u>

13 Other intangible assets

	Concession rights <i>HK\$'000</i>	Licence rights and royalties <i>HK\$'000</i>	Publishing rights <i>HK\$'000</i>	Purchased programme and film rights <i>HK\$'000</i>	Software <i>HK\$'000</i>	Customer base and technical know-how <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	42,748	29,201	7,828	3,522	4,922	16,095	104,316
Additions	364	-	281	17,572	-	-	18,217
Amortisation charge	(5,284)	(928)	(1,822)	(11,498)	(1,042)	(3,743)	(24,317)
Disposals	(657)	-	-	-	-	-	(657)
Reclassification to assets held for sale	-	(27,300)	-	-	-	-	(27,300)
Exchange adjustments	(19)	47	(29)	-	138	447	584
At 30 June 2007 (unaudited)	37,152	1,020	6,258	9,596	4,018	12,799	70,843
Additions	5,683	-	323	8,057	-	-	14,063
Amortisation charge	(4,914)	(953)	(1,862)	(10,750)	(1,071)	(3,848)	(23,398)
Disposals	(2,754)	-	-	-	-	-	(2,754)
Exchange adjustments	957	14	29	-	111	345	1,456
At 31 December 2007	36,124	81	4,748	6,903	3,058	9,296	60,210
Additions	1,328	-	-	8,731	34	-	10,093
Amortisation charge	(5,132)	(83)	(2,128)	(10,026)	(1,144)	(4,095)	(22,608)
Provision for impairment (<i>Note 4</i>)	-	-	-	-	(2,115)	(5,435)	(7,550)
Disposal of a subsidiary (<i>Note 25(c)</i>)	(803)	-	-	-	-	-	(803)
Exchange adjustments	2,582	2	302	-	197	579	3,662
At 30 June 2008 (unaudited)	34,099	-	2,922	5,608	30	345	43,004

14 Trade and other receivables

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Trade receivables, net of provision	647,701	556,734
Prepayments, deposits and other receivables	498,128	452,304
	1,145,829	1,009,038

The ageing analysis of the Group's trade receivables is as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
1-30 days	189,439	180,517
31-60 days	179,141	133,840
61-90 days	102,686	72,817
Over 90 days	266,951	256,419
	<u>738,217</u>	<u>643,593</u>
Less: Provision for impairment	(90,516)	(86,859)
	<u>647,701</u>	<u>556,734</u>
Represented by:		
Receivables from related companies	5,258	1,373
Receivables from third parties	642,443	555,361
	<u>647,701</u>	<u>556,734</u>

- (a) The carrying values of trade and other receivables approximate their fair values.
- (b) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

15 Restricted cash

As at 30 June 2008, bank deposits and cash of the Group totalling of US\$Nil (31 December 2007: US\$2,244,000 or approximately HK\$17,500,000), NT7,800,000 (approximately HK\$2,005,000) (31 December 2007: NT8,400,000 or approximately HK\$2,021,000) and RMB624,000 (approximately HK\$711,000) (31 December 2007: RMB618,000 or approximately HK\$655,000) were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

16 Trade and other payables

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Trade payables	291,250	267,926
Other payables and accruals	836,613	879,638
	<u>1,127,863</u>	<u>1,147,564</u>

The ageing analysis of the Group's trade payables is as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
1-30 days	98,558	117,373
31-60 days	51,818	46,432
61-90 days	32,145	27,428
Over 90 days	108,729	76,693
	<u>291,250</u>	<u>267,926</u>
Represented by:		
Payable to related companies	3,054	2,747
Payable to third parties	288,196	265,179
	<u>291,250</u>	<u>267,926</u>

The carrying values of trade and other payables approximate their fair values.

17 Other non-current liabilities

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Non-current portion of long-term bank loans	551,636	837,674
Pension obligations	33,557	31,302
	<u>585,193</u>	<u>868,976</u>

18 Movements in borrowings

	Short-term bank and other loans <i>HK\$'000</i>	Long-term bank loans <i>HK\$'000</i>	Convertible bonds – liability portion <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2007	727,569	1,999,222	191,023	2,917,814
Borrowings	33,659	–	–	33,659
Repayments	(135,115)	(142,990)	–	(278,105)
Reclassification	(274,662)	274,662	–	–
Convertible bonds interests, net of payments of coupon interests	–	–	4,499	4,499
Exchange adjustments	359	2,476	–	2,835
As at 30 June 2007 (unaudited)	<u>351,810</u>	<u>2,133,370</u>	<u>195,522</u>	<u>2,680,702</u>
As at 1 January 2008	2,515,998	1,303,934	200,138	4,020,070
Borrowings	118,000	–	–	118,000
Repayments	(1,175,507)	(112,677)	–	(1,288,184)
Convertible bonds interests, net of payments of coupon interests	–	–	4,738	4,738
Exchange adjustments	5,416	41,745	–	47,161
As at 30 June 2008 (unaudited)	<u>1,463,907</u>	<u>1,233,002</u>	<u>204,876</u>	<u>2,901,785</u>

19 Share capital

	No. of ordinary shares of HK\$0.1 each	<i>HK\$'000</i>
Authorised:		
As at 1 January and 30 June 2007 and 1 January and 30 June 2008	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 January and 30 June 2007 and 1 January and 30 June 2008	<u>3,893,270,558</u>	<u>389,328</u>

20 Share option schemes(a) *Details of share options granted by the Company*

	Six months ended 30 June			
	2008	Old	2007	Old
	Pre-IPO Share Option Plan	Option Scheme	Pre-IPO Share Option Plan	Option Scheme
Number of share options:				
At the beginning of the period	16,196,000	65,362,000	16,196,000	150,648,000
Lapsed during the period	–	–	–	(5,000,000)
Cancelled during the period	–	(6,316,000)	–	(77,546,000)
At the end of the period (unaudited)	<u>16,196,000</u>	<u>59,046,000</u>	<u>16,196,000</u>	<u>68,102,000</u>

Terms of the share options outstanding as at 30 June 2008 are:

Expiry date	Subscription price per share	Unaudited	
		No. of share options 30 June 2008	30 June 2007
10 February – 14 November 2010	HK\$1.78 – HK\$11.30	38,702,000	39,656,000
8 October 2013	HK\$2.505	36,540,000	39,642,000
15 February 2014	HK\$2.55	–	5,000,000
		<u>75,242,000</u>	<u>84,298,000</u>

For detailed information of the Pre-IPO Share Option Plan and Old Option Scheme of the Company, please refer to the 2007 annual report of the Company.

(b) Details of the share options granted by Tom Online

	Six months ended 30 June			
	2008		2007	
	Pre-IPO Share Option Plan	Share Option Scheme	Pre-IPO Share Option Plan	Share Option Scheme
Number of share options:				
At the beginning of the period	–	–	181,247,231	18,000,000
Exercised during the period	–	–	–	–
Lapsed during the period	–	–	(385,921)	–
At the end of the period (unaudited)	<u>–</u>	<u>–</u>	<u>180,861,310</u>	<u>18,000,000</u>

Terms of the share options outstanding as at 30 June 2008 are:

Expiry date	Subscription price per share	Unaudited	
		No. of share options 30 June 2008	30 June 2007
15 February 2014	HK\$1.50	–	180,861,310
10 May 2015	HK\$1.204	–	18,000,000
		<u>–</u>	<u>198,861,310</u>

In September 2007, upon the privatisation of Tom Online, all of the share options were cancelled.

21 Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Available- for-sale financial assets reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2007, as previously reported	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673
Opening adjustment (note a)	-	-	-	-	-	31,186	-	(31,186)	-
At 1 January 2007, as restated	3,625,981	114,508	776	111,285	(43,823)	115,263	30,879	(1,410,196)	2,544,673
Investment revaluation surplus	-	-	-	-	8,485	-	-	-	8,485
Reserve realised upon disposal	-	-	-	-	(756)	-	-	-	(756)
Exchange translation differences (restated)	-	-	-	(32)	-	74,803	-	-	74,771
Loss for the period (restated)	-	-	-	-	-	-	-	(84,952)	(84,952)
Employee share option schemes – value of employee services	-	5,209	-	-	-	-	-	-	5,209
At 30 June 2007, as restated	<u>3,625,981</u>	<u>119,717</u>	<u>776</u>	<u>111,253</u>	<u>(36,094)</u>	<u>190,066</u>	<u>30,879</u>	<u>(1,495,148)</u>	<u>2,547,430</u>
	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Available- for-sale financial assets reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008, as previously reported	3,625,981	38,354	776	123,455	(15,137)	224,347	30,879	(1,601,133)	2,427,522
Opening adjustment (note a)	-	-	-	-	-	64,920	-	(64,920)	-
At 1 January 2008, as restated	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,427,522
Investment revaluation surplus	-	-	-	-	5,911	-	-	-	5,911
Exchange translation differences	-	-	-	-	-	172,890	-	-	172,890
Loss for the period	-	-	-	-	-	-	-	(547,241)	(547,241)
Employee share option schemes – value of employee services	-	83	-	-	-	-	-	-	83
At 30 June 2008	<u>3,625,981</u>	<u>38,437</u>	<u>776</u>	<u>123,455</u>	<u>(9,226)</u>	<u>462,157</u>	<u>30,879</u>	<u>(2,213,294)</u>	<u>2,059,165</u>

- (a) In prior years, a previously listed subsidiary of the Group, which was required to report under the accounting principles generally accepted in the United States of America, recorded non-cash foreign exchange translation differences arising from its available-for-sale debt securities directly into its reserves. However, the Group is required under the available principles generally accepted in Hong Kong to record these non-cash foreign exchange translation differences arising from available-for-sale debt securities in profit and loss account, and accordingly, the comparative figures have been restated to reflect this alignment of accounting policy. After the alignment, there will no longer be any differences in the accounting treatment with respect to these available-for-sale debt securities.

The application of the Group's accounting policy to these non-cash foreign exchange translation differences has no effect on the carrying value of the Group's available-for-sale debt securities, the Group's cash and net asset value position, the Group's shareholders' funds, minority interests and total equity, and the Company's reserves available for distribution calculated under Companies Law of the Cayman Islands as previously reported.

The effects of the restatement on the Group's consolidated accounts for the six month period ended 30 June 2007 and the year ended 31 December 2007 are:

Effect on the Group's total equity as at 1 January 2007	<i>HK\$'000</i>
Increase in exchange reserve	31,186
Decrease in retained earnings/(increase in accumulated losses)	(31,186)
Effect on other reserves	—
	<hr/>
Net effect on total equity	—
	<hr/> <hr/>
Effect on the Group's profit and loss account for the six months ended 30 June 2007	<i>HK\$'000</i>
Increase in loss for the period	19,178
(Increase) in loss attributable to minority interests for the period	(6,572)
	<hr/>
Increase in loss attributable to equity holders of the Company for the period	12,606
	<hr/> <hr/>
Increase in basic loss per share from continuing operations attributable to equity holders of the Company for the period (<i>HK cents</i>)	0.33
from discontinued operation attributable to equity holders of the Company for the period (<i>HK cents</i>)	—
	<hr/>
Effect on the Group's total equity as at 30 June 2007	<i>HK\$'000</i>
Increase in exchange reserve	43,792
Decrease in retained earnings/(increase in accumulated losses)	(43,792)
Effect on other reserves	—
	<hr/>
Net effect on total equity	—
	<hr/> <hr/>
Effect on the Group's profit or loss for the year ended 31 December 2007	<i>HK\$'000</i>
Increase in loss for the year	45,581
(Increase) in loss attributable to minority interests for the year	(11,847)
	<hr/>
Increase in loss attributable to equity holders of the Company for the year	33,734
	<hr/> <hr/>
Increase in basic loss per share from continuing operations attributable to equity holders of the Company for the year (<i>HK cents</i>)	0.86
from discontinued operation attributable to equity holders of the Company for the year (<i>HK cents</i>)	—
	<hr/>
Effect on the Group's total equity as at 31 December 2007	<i>HK\$'000</i>
Increase in exchange reserve	64,920
Decrease in retained earnings/(increase in accumulated losses)	(64,920)
Effect on other reserves	—
	<hr/>
Net effect on total equity	—
	<hr/> <hr/>

22 Minority interests

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000 (As restated)
At 1 January	687,780	1,394,021
Loss for the period/year attributable to minority interests	(37,684)	(37,370)
Exchange adjustments	43,275	57,899
Revaluation surplus on available-for-sale financial assets	575	4,654
Actuarial loss on defined benefit plan	-	(405)
Recognised income and expense attributable to minority interests	6,166	24,778
Acquisition of additional interest in a subsidiary/interests in subsidiaries (Note 25(a))	(2,775)	(716,842)
Dividend to minority interests	(54,166)	(13,742)
Contribution from minority shareholders	-	14,201
Disposal of a subsidiary/interests in subsidiaries (Note 25(c))	(265)	(17,717)
Employee share option scheme – value of employee services attributable to minority interests	-	3,490
Other reserves shared by minority interests	(276)	(409)
At 30 June/31 December	636,464	687,780

23 Pledge of assets

Save as disclosed in Note 15, the Group has the following pledge of assets:

- (a) At as 30 June 2008, available-for-sale financial assets with a total market value of approximately HK\$940,764,000 (31 December 2007: HK\$1,558,703,000) were pledged to banks for securing bank loans totaling HK\$856,424,000 (31 December 2007: HK\$1,416,000,000).
- (b) As at 30 June 2008, properties with net book values of approximately HK\$863,000 (31 December 2007: HK\$851,000) were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

24 Contingent liabilities

As at 30 June 2008 and 31 December 2007, the Group had no significant contingent liabilities.

25 Business combination and acquisition and disposal of a subsidiary

(a) Acquisition of additional interest in Beijing Huan Jian Shu Meng Network Technology Limited ("HJSM") in 2008

On 23 May 2008, the Group, through a wholly owned subsidiary, Beijing LingXun Interactive Science Technology and Development Company Limited, entered into an agreement to acquire an additional 25% interests in HJSM for a consideration of RMB5,000,000 (approximately HK\$5,600,000).

The allocation of the consideration is as follows:

	<i>HK\$'000</i>
Minority interests acquired (<i>Note 22</i>)	2,775
Cost of acquisition	
Purchase consideration, cash paid	5,600
Goodwill (<i>Note 12</i>)	<u>2,825</u>

The acquiree's book values of net assets at the date of acquisition approximated their fair values. As a result of the acquisition, the Group's interest in HJSM increased from 75% to 100%.

The goodwill is attributable to the integrated services provided by HJSM for enhancement of the profitability of the internet division as a whole.

(b) Acquisition of Pixnet Digital Media Corporation ("Pixnet") in 2007

On 14 February 2007, the Group, through a 82.5% owned subsidiary, Cite Publishing Limited, entered into a Sale and Purchase Agreement with the shareholders of Pixnet for the acquisition of 90% equity interests in Pixnet at a total consideration of NT\$135 million (approximately HK\$31,968,000) of which NT\$35 million (approximately HK\$8,288,000) was for the acquisition of existing shares of Pixnet from the existing shareholders, and NT\$100 million (approximately HK\$23,680,000) was to be injected into Pixnet for subscription of new Pixnet shares. Pixnet is principally engaged in the operation of popular online community and social networking websites in Taiwan.

The allocation of the consideration is as follows:

	<i>HK\$'000</i>
Fixed assets (<i>Note 11</i>)	395
Trade and other receivables	38
Bank balances and cash	27,321
Trade and other payables	(41)
Minority interests	(2,771)
	<u>24,942</u>
Cost of acquisition	
Purchase consideration	31,968
Goodwill	<u>7,026</u>

The acquiree's book values of net assets at the date of acquisition approximated their fair values as disclosed above.

The goodwill is attributable to the significant synergies with existing publishing business in Taiwan expected to arise after the Group's acquisition.

The Group's share of Pixnet's net assets as at 30 June 2007, post acquisition turnover and loss for the period ended 30 June 2007 amounted to approximately HK\$19,131,000, HK\$227,000 and HK\$1,599,000 respectively.

The unaudited proforma financial information in relation to the acquisition of Pixnet was not presented as the management considered it was not material to the Group.

(c) *Disposal of a subsidiary*

Details of the disposal of a subsidiary during the period:

	<i>HK\$'000</i>
Net assets disposed of:	
Fixed assets (<i>Note 11</i>)	1,723
Other intangible assets (<i>Note 13</i>)	803
Trade and other receivables	3,669
Bank balances and cash	809
Trade and other payables	(6,705)
Taxation payable	(34)
Minority interests (<i>Note 22</i>)	(265)
	<hr/>
Gain on disposal of interests in a subsidiary	–
	<hr/> <hr/>
Satisfied by:	
Cash	–
	<hr/> <hr/>
Analysis of the net cash outflow in respect of disposal of interests in a subsidiary:	
Cash consideration	–
Bank balances and cash disposed of	(809)
	<hr/>
Net cash outflow in respect of disposal of interests in a subsidiary	(809)
	<hr/> <hr/>

26 Commitments

(a) *Capital commitments*

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000 (As restated)
Acquisition of/loans to new investments		
– Contracted but not provided for (<i>Note</i>)	371,305	356,196
Acquisition of fixed assets and other intangible assets		
– Authorised but not contracted for	191,738	248,856
	<hr/> 563,043 <hr/>	<hr/> 605,052 <hr/>

Note: Included in the balance as at 30 June 2008 and 31 December 2007 was the commitment of US\$20,000,000 (approximately HK\$156,000,000) for financing the joint venture, TOM Eachnet. For details, please refer to the Company's 2007 annual report.

27 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 14 and 16 to the interim financial statements, is set out below:

(a) *Sales of goods and services*

	Unaudited For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Sales to		
– HWL and its subsidiaries	10,053	6,215
– minority shareholders of subsidiaries and their subsidiaries	3,672	993

(b) *Purchase of goods and services*

	Unaudited For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Cost of sales payable to		
– minority shareholders of subsidiaries and their subsidiaries	6,635	6,442
Office and warehouse rental and service fees payable to		
– an associated company of CKH	5,131	4,263
– a subsidiary of CKH	4,259	3,165
– minority shareholders of subsidiaries and their subsidiaries	696	240
Service fees payable to		
– HWL and its subsidiaries	4,733	4,376
– minority shareholders of subsidiaries and their subsidiaries	277	216
Interest expenses payable to		
– minority shareholders of subsidiaries and their subsidiaries	943	302

(c) *Key management compensation*

During the periods ended 30 June 2007 and 2008, no transactions have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation).

28 Approval of interim financial statements

The condensed consolidated interim financial statements have been approved by the Board of Directors on 18 August 2008.

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

A. The Company

(a) Long positions in the shares of the Company

Name of Directors	Capacity	Number of shares of the Company				Total	Approximate percentage of shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Wang Lei Lei	Beneficial owner	300,000	-	-	-	300,000	0.01%
Yeung Kwok Mung	Interest of spouse	-	30,000	-	-	30,000	Below 0.01%
Angela Mak	Beneficial owner	44,000	-	-	-	44,000	Below 0.01%
Tommei Tong	Beneficial owner	300,000	-	-	-	300,000	0.01%

(b) Rights to acquire shares of the Company

Pursuant to the Pre-IPO Share Option Plan and/or the Old Option Scheme, certain Directors were granted share options to subscribe for the shares of the Company, details of which as at 30 June 2008 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 30 June 2008	Option period	Subscription price per share of the Company HK\$
Wang Lei Lei	11/2/2000	9,080,000 <i>(Note 1)</i>	11/2/2000-10/2/2010	1.78
	9/10/2003	6,850,000 <i>(Note 2)</i>	9/10/2003-8/10/2013	2.505
Angela Mak	11/2/2000	3,026,000 <i>(Note 1)</i>	11/2/2000-10/2/2010	1.78
	9/10/2003	6,000,000 <i>(Note 3)</i>	9/10/2003-8/10/2013	2.505
James Sha	15/11/2000	15,000,000 <i>(Note 4)</i>	15/11/2000-14/11/2010	5.30
Tommei Tong	9/10/2003	15,000,000 <i>(Note 5)</i>	9/10/2003-8/10/2013	2.505

Notes:

1. The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.
2. The options have vested in four tranches. The first tranche of 850,000 options, the second, third and fourth tranches of 2,000,000 options each have vested on 10 October 2003, 1 February 2004, 1 February 2005 and 1 February 2006 respectively.
3. The options have vested in four tranches. The first tranche of 2,700,000 options, the second, third and fourth tranches of 1,100,000 options each have vested on 10 October 2003, 1 January 2004, 1 January 2005 and 1 January 2006 respectively.
4. The options have vested in three tranches in the proportion of 20%:30%:50% on 15 November 2001, 15 November 2002 and 15 November 2003 respectively.
5. The options have vested in three tranches in the proportion of 1/3:1/3:1/3 on 17 March 2004, 17 March 2005 and 17 March 2006 respectively.

Save as disclosed above, during the six months ended 30 June 2008, none of the Directors or chief executive of the Company was granted options to subscribe for shares of the Company, nor had exercised such rights. No option granted to the above Directors was lapsed or cancelled during the six months ended 30 June 2008.

B. Associated corporations (within the meaning of the SFO)

Short positions in associated corporations

Mr. Wang Lei Lei has as of 12 June 2001 (as supplemented on 26 September 2003) granted an option to a subsidiary of the Company in respect of his 20% (RMB20,000,000) equity interest in Beijing Lei Ting whereby such subsidiary of the Company has the right at any time within a period of 10 years commencing from 26 September 2003 (which may be extended for another 10 years at the option of such subsidiary of the Company) to acquire all of Mr. Wang Lei Lei's equity interest in Beijing Lei Ting at an exercise price of RMB20,000,000.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Outstanding Share Options

As at 30 June 2008, options to subscribe for an aggregate of 75,242,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 30 June 2008, options to subscribe for an aggregate of 16,196,000 shares of the Company were outstanding and these options relate to the options granted to certain employees of the Group at the date of grant. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 30 June 2008	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2008	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors	11/2/2000	12,106,000	-	-	-	12,106,000 (Note)	11/2/2000– 10/2/2010	1.78
Employee (including ex-employees)	11/2/2000	4,090,000	-	-	-	4,090,000 (Note)	11/2/2000– 10/2/2010	1.78
Total:		16,196,000	-	-	-	16,196,000		

Note: The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.

(b) Old Option Scheme

As at 30 June 2008, options to subscribe for an aggregate of 59,046,000 shares of the Company which were granted to certain Directors, continuous contract employees and ex-employees of the Group were outstanding. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2008	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors	15/11/2000	15,000,000	-	-	-	-	15,000,000	15/11/2000 – 14/11/2010	5.30
<i>(Note 1)</i>									
	9/10/2003	27,850,000	-	-	-	-	27,850,000	9/10/2003 – 8/10/2013	2.505
Employees (including ex-employees)	23/3/2000	1,528,000	-	-	-	42,000	1,486,000	23/3/2000 – 22/3/2010	11.30
							<i>(Note 2)</i>		
	26/6/2000	508,000	-	-	-	-	508,000	26/6/2000 – 25/6/2010	5.89
							<i>(Note 3)</i>		
	8/8/2000	5,586,000	-	-	-	74,000	5,512,000	8/8/2000 – 7/8/2010	5.30
							<i>(Note 4)</i>		
	9/10/2003	9,890,000	-	-	-	1,200,000	8,690,000	9/10/2003 – 8/10/2013	2.505
							<i>(Note 5)</i>		
	16/2/2004	5,000,000	-	-	-	5,000,000	-	16/2/2004 – 15/2/2014	2.55
	Total:	65,362,000	-	-	-	6,316,000	59,046,000		

Notes:

1. Details of the options granted to the Directors are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. The options have vested in two tranches in the proportion of 50%:50% on 23 March 2005 and 23 March 2006 respectively.
3. The options have vested in two tranches in the proportion of 50%:50% on 26 June 2005 and 26 June 2006 respectively.
4. The options have vested on (i) 8 August 2001 or (ii) 8 August 2001 and 8 August 2002.

5. (i) For certain grantees, all the options have vested on 10 October 2003.
- (ii) For certain grantees, the options have vested in two tranches. The first tranche of the options has vested on 10 October 2003 and the second tranche of the options has vested on the anniversary of their respective joining dates with the Group in 2004.
- (iii) For certain grantees, the options have vested in three to four tranches. The first tranche of the options has vested on 10 October 2003 and the remaining tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2004 and 2005 or 2004, 2005 and 2006 (as the case may be).
- (iv) For certain grantees, the options have vested in three tranches in the proportion of 1/3:1/3:1/3. The first tranche of the options has vested on the anniversaries of their respective joining dates with the Group in 2004, the second and third tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2005 and 2006.

(c) **New Option Scheme**

No option has been granted pursuant to the New Option Scheme since its adoption.

Interests and Short Positions of Shareholders

As at 30 June 2008, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Li Ka-Shing Unity Trustcorp Limited <i>(as trustee of another discretionary trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	Trustee	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.23%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) <i>(Note 1)</i>	12.23%
Romefield Limited	Beneficial owner	476,341,182 (L) <i>(Note 1)</i>	12.23%
Hutchison Whampoa Limited	Interest of a controlled corporation	952,683,363 (L) <i>(Note 2)</i>	24.47%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 (L) <i>(Note 2)</i>	24.47%
Easterhouse Limited	Beneficial owner	952,683,363 (L) <i>(Note 2)</i>	24.47%
Chau Hoi Shuen	Interest of controlled corporations	951,576,363 (L) <i>(Note 3)</i>	24.44%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	951,576,363 (L) <i>(Note 3)</i>	24.44%
Schumann International Limited	Beneficial owner	580,000,000 (L) <i>(Note 3)</i>	14.90%
Handel International Limited	Beneficial owner	348,000,000 (L) <i>(Note 3)</i>	8.94%

(L) denotes a long position

Notes:

- (1) Romefield Limited is a wholly-owned subsidiary of Sunnynlink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited.

By virtue of the SFO, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnynlink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 hold units in The Li Ka-Shing Unity Trust.

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SFO, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 shares of the Company and 952,683,363 shares of the Company held by Romefield Limited and Easterhouse Limited respectively.

- (3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general meetings of Cranwood Company Limited.

By virtue of the SFO, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 23,576,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 23,576,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

Save as disclosed above, as at 30 June 2008, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Directors' Interests in Competing Business

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited (“CKI”) and directors of certain of their respective Associates (collectively referred to as “HWL Group” and “CKI Group” respectively). In addition, Mr. Frank Sixt is also a non-executive director of CKH and Hutchison Telecommunications International Limited (“HTIL”) and director of certain of their Associates (collectively referred to as “CKH Group” and “HTIL Group” respectively). Mrs. Susan Chow is a non-executive director and an alternate director of HTIL and director of certain of its Associates. Mr. Edmond Ip, a non-executive Director, is the deputy managing director of CKH, the senior vice president and chief investment officer of CK Life Sciences Int’l., (Holdings) Inc. (“CK Life”), the deputy chairman of CKI and a non-executive director of Excel Technology International Holdings Limited (“Excel Technology”). HWL Group is engaged in e-commerce, internet and information technology services. CKH Group, CKI Group, CK Life and Excel Technology are engaged in information technology, e-commerce or new technology where applicable. HTIL Group is engaged in providing mobile and fixed-line telecommunications services, including voice services, broadband services, multimedia services, enhanced calling features, IDD services, international roaming services and mobile and fixed-line Internet services. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Ms. Tommei Tong, who has resigned as a non-executive Director with effect from 18 August 2008, is a beneficial owner of less than 1% of the equity interest in Qin Jia Yuan Media Services Company Limited (“Qin Jia Yuan”) whose principal business engaged in the provision of media services in the PRC. The Directors believe that there is a risk that the business of Qin Jia Yuan may compete with those of the Group.

Save as disclosed above, during the six months ended 30 June 2008, none of the Directors or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

Audit Committee

The Company has established an audit committee (“Audit Committee”) in January 2000. Written terms of reference in compliance with the Listing Rules has been adopted for the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Henry Cheong, Ms. Anna Wu and Mr. James Sha and a non-executive Director, namely, Mrs. Angelina Lee. Mr. Henry Cheong is the chairman of the Audit Committee.

The unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2008 have been reviewed by the Audit Committee.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2008.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2008.

OTHER INFORMATION

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

As at the date hereof, the directors of the Company are:

Executive Directors:

*Mr. Wang Lei Lei
(Deputy Chairman)
Mr. Yeung Kwok Mung
Ms. Angela Mak*

Non-executive Directors:

*Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee*

Independent non-executive Directors:

*Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha*

Alternate Director:

*Mr. Francis Meehan
(Alternate to each of Mr. Frank Sixt, Ms. Debbie Chang, Mrs. Susan Chow and Mr. Edmond Ip)*